

\$27,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(GRIMMWAY SCHOOLS – OBLIGATED GROUP)
SERIES 2016A (TAX-EXEMPT) AND 2016B (TAXABLE)

EXECUTIVE SUMMARY
RESOLUTION 16-30

Borrower:	RLG Land Foundation, a California nonprofit public benefit corporation (the “Borrower”)
Project User:	Grimmway Schools, a California nonprofit public benefit corporation, for use and occupancy by Grimmway Academy and Grimmway Academy - Shafter
Loan Amount:	Not to exceed \$27,000,000*
Expected Issuance:	November 2016
Project:	The proceeds of the bonds will be used to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and /or Equipping of Educational Facilities Located in Kern County, California
Bond Type:	Charter School Revenue Bonds (Taxable and Tax Exempt Series)
Project Location:	See “Project Information” section
Counties Served:	Kern County
District in which Project is Located:	Kern County Office of Education
Charter Authorizer:	Kern County Office of Education and Richland Union Elementary School District
Est. Annual Payment:	\$1,404,450
Anticipated Rating:	BB+ (Expected)
Structure:	\$21,985,000 (Tax-Exempt) and \$250,000 (Taxable)
Sale Method:	Public Offering
Underwriter:	Piper Jaffray & Co.
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Trustee:	Wilmington Trust, National Association

I. Use of Bond Proceeds / Project Information

Arvin Project

Grimmway Academy, located in the City of Arvin, California, is a K-8 charter school with approximately 679 students. The campus sits on approximately 8 acres and was built in 2011. The total campus building area is approximately 43,000 square feet of modular building construction. The campus features all single story buildings, consisting of teaching classrooms, administration offices, a library, a science classroom, a physical education classroom, a learning lab, a multipurpose room, a full service kitchen, a garden kitchen, related restrooms, janitorial closets, storage areas and server rooms. The balance of the campus will feature asphalt parking lots, play fields, asphalt and concrete play areas, an edible school garden, a garden ramada, garden tool sheds, an asphalt and concrete school quad area, a flag pole, shade structures, playground equipment, a landscape area, a school service area, a re-cycles and refuge area, a marquee sign and wrought iron fencing.

Shafter Project

Grimmway Academy, a proposed charter school, will be located between W. Los Angeles Avenue and Elizabeth Avenue just east of Schnaidt Street, in the City of Shafter, California. The proposed charter school will be built on 8.33 Acres. The total campus building area will be approximately 43,800 square feet, all single story buildings, consisting of teaching classrooms, administration offices, a library, a science classroom, a physical education classroom, a learning lab, a multipurpose room, a full service kitchen, a garden kitchen, related restrooms, janitorial closets, storage areas and server rooms. The balance of the campus will feature asphalt parking lots, play fields, asphalt and concrete play areas, an edible school garden, a garden ramada, garden tool sheds, an asphalt and concrete school quad area, a flag pole, shade structures, playground equipment, a landscape area, a school service area, a re-cycles and refuge area, a marquee sign and chain link fencing.

The classrooms and restroom buildings will all be manufactured modular buildings that are built off site, trucked to the site and craned onto a concrete slab or pit set foundations and welded into place. The administration, multi-purpose, leaning lab, learning kitchen, full prep kitchen storage areas, and electrical room will be steel framed and wooden framed building and constructed on site. These buildings will be permitted and inspected by the City of Shafter.

Site	Landlord	Location	Purpose	Amount
Arvin	RLG Land Foundation	901 Nectarine Court, Arvin CA 93203	Refinance	\$8,700,000
Shafter	RLG Land Foundation	W. Los Angeles Street, Shafter CA 93263	Acquisition & New Construction	\$12,000,000
Total Estimated Project Costs				\$20,700,000

II. RLG Land Foundation/Grimmway Schools

RLG Land Foundation

RLG Land Foundation (the "Borrower") was formed in 2010 as a California nonprofit public benefit corporation and a private foundation as described in Section 501(c)(3) of the Internal Revenue Code of 1986 as amended (the "Code"). The Borrower is organized and operated for the purpose of building and funding educational facilities.

Grimmway Schools

In 2011, the Grimm Family Education Foundation (the “Foundation”) was founded with the goal of identifying and implementing opportunities to improve student achievement, wellness and opportunity in the County. The Foundation’s vision is to offer a choice in education opportunities to underserved communities so that all children will thrive and be successful students.

Grimmway Schools (“Grimmway” or the “Lessee”) was formed in 2010 as a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Code. Grimmway currently holds two charters and operates the Grimmway Academy (“Grimmway Arvin”), serving over 679 students in kindergarten through grade eight. Beginning with the 2017-18 school year, Grimmway expects to open Grimmway Academy – Shafter (“Grimmway Shafter” and, together with Grimmway Arvin, the “Schools”) and initially serve approximately 400 students in kindergarten through grade four. Grimmway projects that Grimmway Shafter will serve approximately 740 students in kindergarten through grade 8 upon full enrollment in the 2021-22 school year.

Grimmway currently operates Grimmway Arvin in facilities owned by Nectarine Court, LLC and leased to Grimmway. Grimmway also expects to operate Grimmway Shafter in facilities leased to Grimmway by Nectarine Court, LLC. The acquisition and construction of the facilities in which Grimmway Schafter will be operated are expected to be financed with proceeds of the Bonds.

III. Financial Structure

The Bonds are expected to be issued in two series: (1) Series A (Tax-Exempt) is expected to be issued in the approximate aggregate principal amount of \$21,985,000 and (2) Series B (Taxable) is expected to be issued in the approximate aggregate principal amount of \$250,000. The Bonds are expected to have a final maturity of June 1, 2051.

IV. Security and Source of Payment

The Bonds will be payable out of Payments under the Indenture, consisting primarily of Loan Repayments under the Loan Agreement. The obligations of the Borrower under the Loan Agreement are secured by: (i) the rent payments received under the Lease, (ii) real property described in the Deed of Trust on the Facility and (iii) the Reserve Account. The Reserve Account will be funded initially by proceeds of the Bonds. In addition, the Borrower and Nectarine Court, LLC are forming an obligated group and entering into a master trust indenture pursuant to which additional debt obligations may be issued from time to time on behalf of, and secured by, the obligations of the obligated group members (including Nectarine Court, LLC, as the initial member, and any future members of the obligated group). The Bonds will represent the first obligation issued by the obligated group.

As additional security for the Bonds, in connection with the issuance of the Bonds, Grimmway Schools will provide instructions to the State Controller’s Office to make an apportionment to the Trustee with respect to each School in amounts and on dates provided in a written notice sufficient in the aggregate to repay the Bonds and pay necessary and incidental costs. Funds received by the Trustee pursuant to such Intercept will be held in trust and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture, including if necessary, the payment of debt service on the Bonds. Under the laws of the State of California, no party, including Grimmway Schools, the Borrower or any of their respective creditors will have any claim to the money apportioned or to be apportioned to the Trustee by the State Controller pursuant to the Intercept.

V. Preliminary Sources and Uses/Cost of Issuance

Below are the preliminary estimated sources and uses for the Bonds, and detailed information about the costs of issuance for board consideration. Please note that these figures are subject to change between the time board packets are distributed and the time the board meets. Members will be provided updated figures should they change before the board meeting date.

Sources:	Series 2016A (Tax-Exempt)	Series 2016B (Taxable)	Total
Bond Proceeds:			
Par Amount	\$21,985,000.00	\$250,000.00	\$22,235,000.00
Premium	\$1,615,233.00	\$0.00	\$1,615,233.00
Total	\$23,600,233.00	\$250,000.00	\$23,850,233.00
Uses:			
Project Fund Deposits:			
Refinance	\$8,700,000.00	\$0.00	\$8,700,000.00
Acquisition & New Construction	\$12,000,000.00	\$0.00	\$12,000,000.00
	\$20,700,000.00	\$0.00	\$20,700,000.00
Other Fund Deposits:			
Debt Service Reserve Fund	\$1,388,659.02	\$15,790.98	\$1,404,450.00
Capitalized Interest	\$1,074,208.51	\$12,215.24	\$1,086,423.75
Delivery Date Expenses:			
Cost of Issuance	\$85,696.51	\$218,756.24	\$304,452.75
Underwriter's Discount	\$354,003.50	\$3,750.00	\$357,753.50
	\$439,700.01	\$222,506.24	\$662,206.25
Other Uses of Funds:			
Contingency	-\$2,334.54	-\$512.46	-\$2,847.00
Total	\$23,600,233.00	\$250,000.00	\$23,850,233.00

Cost of Issuance	
Bond Counsel	\$75,000.00
Underwriter Counsel	\$60,000.00
Borrower Counsel	\$60,000.00
Rating Agency	\$35,000.00
Title	\$25,000.00
Trustee	\$7,000.00
CSFA Issuance Fee	\$21,117.50
CSFA Agent for Sale Fee	\$6,000.00
CSFA Admin Fee	\$3,335.25
CSFA AG Counsel Fee	\$8,000.00
Underwriter Out of Pockets	\$4,000.00
Total COI	\$304,452.75

*Estimates based on a total Par Amount of \$22,235,000

VI. Borrower Financial Data

Exhibit A contains financial and operational information for Grimmway Schools.

VII. Due Diligence Undertaken to Date

No information was disclosed to question the financial viability or legal integrity of the Borrower. Standard opinions of counsel (i.e., that the borrowing entity has been duly organized, is in good standing, is a 501(c)(3) organization, has the full authority to enter into all documents which are valid and binding, etc.) will be delivered at closing.

VIII. Bond Sales Restrictions

The following sales restrictions are expected to apply to the bonds given that they are expected to receive a BB+ rating. The Authority's sales restrictions can be viewed at: <http://treasurer.ca.gov/csfa/financings/guidelines.pdf>.

1. Bonds will be in minimum denominations of \$100,000;
2. Bonds will be privately placed or publicly offered initially to QIBs and AIs;
3. Initial bond purchasers will be required to execute an Investor Letter;
4. Subsequent transfers of bonds will be limited to QIBs and AIs;
5. Sales restrictions conspicuously noted on bond and described in detail in offering materials, if any, as well as in the bond documents;
6. One or more of the following will be required depending on the transaction, as requested by the financing team and approved by the Authority:
 1. Traveling Investor Letter; or
 2. Higher minimum denominations of \$250,000; or
 3. Physical Delivery; or
 4. Limited initial sale to QIBs, with subsequent transfers limited to QIBs as well; or
 5. Other investor protection measures
7. Bond payments will be made via the intercept mechanism outlined in Section 17199.4 of the Education Code

IX. Staff Recommendation

Staff recommends CSFA approve Resolution Number 16-30 authorizing the Issuance of Charter School Revenue Bonds in an Amount Not to Exceed \$27,000,000 to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and /or Equipping of Educational Facilities Located in Kern County, California for use by RLG Land Foundation and Grimmway Schools.

Exhibit A
Financial and Operational Information
5-Year Projected Financials

Shafter & Arvin Consolidated

	Audited FY2016	Projected FY2017	Projected FY2018	Projected FY2019	Projected FY2020	Projected FY2021
Enrollment	679.0	762.0	1162.0	1242.0	1322.0	1402.0
ADA	0.0	729.6	1113.6	1190.4	1267.2	1344.0
Unrestricted Cash	2,136,452	3,057,260	3,379,843	3,558,022	3,780,950	4,182,948
Days Cash on Hand	104	126	89	86	84	87

Revenues:

State Revenue Limit Sources	5,797,660	6,932,504	11,080,122	11,964,934	13,162,856	14,261,333
Federal Revenue	820,826	924,092	1,395,886	1,490,245	1,584,604	1,696,963
Other State Revenues	1,546,129	1,116,064	1,583,203	1,844,426	1,947,070	2,049,714
Local Revenue	297,148	41,000	56,000	59,000	62,000	65,000
Contributions	668,709	900,000	-	-	-	-
Total Revenues	9,130,472	9,913,660	14,115,211	15,358,606	16,756,530	18,073,010

Expenses:

Certificated Salaries	3,688,457	2,597,870	4,114,124	4,530,789	4,927,544	5,349,058
Classified Salaries	-	1,716,994	3,003,370	3,260,844	3,534,286	3,824,565
Benefits	789,280	1,176,964	1,806,694	2,041,746	2,292,568	2,521,958
Supplies	897,197	867,952	1,464,452	1,421,149	1,511,431	1,608,258
Rent	845,613	910,104	1,225,407	1,311,129	1,494,495	1,450,000
Other Operating Service	387,218	607,358	1,002,413	1,173,402	1,236,558	1,304,293
Depreciation	143,987	120,000	120,000	120,000	120,000	120,000
Other Outlay	903,663	966,591	1,279,068	1,358,035	1,453,386	1,529,545
Total Expenses	7,655,415	8,963,833	14,015,528	15,217,094	16,570,269	17,707,679

Annual Surplus 1,475,057 949,827 99,683 141,512 186,261 365,331

Debt Service Coverage:

Annual Surplus	1,475,057	949,827	99,683	141,512	186,261	365,331
Plus: Depreciation	143,987	120,000	120,000	120,000	120,000	120,000
Plus: Lease Expense	845,613	910,104	1,225,407	1,311,129	1,494,495	1,450,000
Available for Debt Service	2,464,657	1,979,931	1,445,090	1,572,641	1,800,757	1,935,331
Series 2016 Net Debt Service	-	-	734,100	1,101,150	1,416,150	1,416,150
Debt Service Coverage	NA	NA	1.97	1.43	1.27	1.37
Series 2016 MADS	1,418,750	1,418,750	1,418,750	1,418,750	1,418,750	1,418,750
MADS Coverage	1.74	1.40	1.02	1.11	1.27	1.36

**Enrollment by Grade Level
Fiscal Years 2013-14 through 2021-22
The Obligated Group Schools**

Enrollment by Grade Level ⁽¹⁾									
School Years 2012-13 through 2020-21									
The Obligated Group Schools									
Grimmway Arvin									
School (Fiscal Year)									
Grade Level	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
K	88	84	85	85	85	85	85	85	85
1 st Grade	90	84	80	85	85	85	85	85	85
2 nd Grade	89	84	89	85	85	85	85	85	85
3 rd Grade	88	84	88	85	85	85	85	85	85
4 th Grade	83	81	87	85	85	85	85	85	85
5 th Grade	75	76	82	85	85	85	85	85	85
6 th Grade	--	78	83	85	85	85	85	85	85
7 th Grade	--	--	85	85	85	85	85	85	85
8 th Grade	--	--	--	85	85	85	85	85	85
Totals	513	571	679	765	765	765	765	765	765

Grimmway Shafter ⁽²⁾					
School (Fiscal Year)					
Grade Level	2017-18	2018-19	2019-20	2020-21	2021-22
K	80	80	80	80	80
1 st Grade	80	80	80	80	80
2 nd Grade	80	80	80	80	80
3 rd Grade	80	80	80	80	80
4 th Grade	80	80	80	80	80
5 th Grade	--	80	80	80	80
6 th Grade	--	--	80	80	80
7 th Grade	--	--	--	80	80
8 th Grade	--	--	--	--	80
Totals	400	480	560	640	720